

Office of the Legislative Auditor

State of Montana

Report to the Legislature

April 1990

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1989

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Missoula

Vocational-Technical Center

This report contains 4 recommendations to the center and 1 recommendation to the Commissioner of Higher Education concerning:

- ▶ Spending non-General Fund money first.
- ▶ Procurement of consulting services.
- ▶ Controls over fixed assets.
- ▶ Accounting for financial activity in accordance with state law.

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FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1987 has been issued. Copies of the Single Audit Report can be obtained by contacting:

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STATE OF MONTANA

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JIM PELLEGRINI
Performance Audit

April 1990

The Legislative Audit Committee
of the Montana State Legislature:

This is the financial-compliance audit report on the Missoula Vocational-Technical Center for fiscal years 1987-1988 and 1988-89. The report contains recommendations concerning compliance with state laws and policies.

The written responses to audit recommendations are included at the end of the audit report. We thank the director, the center staff, and the Commissioner of Higher Education for their cooperation and assistance throughout the audit.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Scott A. Seocat", with a long, sweeping horizontal line extending to the right.

Scott A. Seocat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1989

Missoula

Vocational-Technical Center

Audit staff involved in this audit were Pearl M. Allen, Donna Aschenbrener, Jeane Carstensen, Susan A. Fleming, Geralyn Huschka, Victoria Murphy, Lorry Parriman and Catherine L. Scarff.

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Appointed and Administrative Officials

			Term <u>Expires</u>
Board of Regents of Higher Education	Stan Stephens, Governor*		1992
	Nancy Keenan, Superintendent of Public Instruction*		1992
	William L. Mathers, Chairman	Miles City	1994
	Elsie Redlin, Vice Chairman	Lambert	1991
	Jim Kaze	Havre	1992
	Tom Topel	Billings	1993
	Cordell Johnson	Helena	1996
	Kermit R. Schwanke	Missoula	1997
	Vickie Rae Clouse, Student Regent	Havre	1990
Administrative Officials	Carrol Krause*	Commissioner of Higher Education	
	John H. Noble, Jr.	Deputy Commissioner for Management and Fiscal Affairs	
	Brady Vardemann	Deputy Commissioner for Vocational Education	
Missoula Vocational- Technical Center	Dr. Dennis Lerum	Director	
	Dr. James Taylor	Deputy Director and Supervisor of Administrative Affairs	

* Ex officio members of the Board of Regents of Higher Education

Summary of Recommendations

The listing below serves as a means of summarizing the recommendations contained in the report, the center's response thereto, and a reference to the supporting comments.

<u>Recommendation #1</u>	We recommend the center use federal administrative cost allowance moneys to offset the costs of administering financial aid programs to the maximum extent possible, in accordance with state law.	6
	<u>Agency Response:</u> Concur. See page 31.	
<u>Recommendation #2</u>	We recommend the center comply with state law and policy regarding the selection and use of consultants.	7
	<u>Agency Response:</u> Concur. See page 31.	
<u>Recommendation #3</u>	We recommend the center develop and implement procedures to: A. Segregate equipment custody, count, and record keeping functions. <u>Agency Response:</u> Concur. See page 31. B. Ensure equipment is promptly tagged and recorded on its property records.	8
	<u>Agency Response:</u> Concur. See page 31.	
<u>Recommendation #4</u>	We recommend the center: A. Record Carl Perkins subgrant activity, Pell receivables, interdepartmental eliminations, and College Work Study expenditures in compliance with state law and policy. <u>Agency Response:</u> Partially Concur. See page 32.	

Summary of Recommendations

B. Revise Pell receivable collection policies and turn accounts over to the U.S. Department of Education after making reasonable collection efforts. 12

Agency Response: Concur. See page 32.

Recommendation #5

We recommend the Commissioner of Higher Education provide the center with written confirmation of accounting policy decisions. 12

Agency Response: Concur. See page 34.

Introduction and Audit Objectives

We performed a financial-compliance audit of the Missoula Vocational-Technical Center for the two fiscal years ended June 30, 1989. Our audit objectives were to:

1. Determine if the center complied with applicable state and federal laws and regulations.
2. Make recommendations for improving management and internal controls of the center.
3. Determine the implementation status of prior audit recommendations of the center.
4. Determine if the center's financial schedules for the two fiscal years ended June 30, 1989, present fairly the results of operations and changes in fund balances in accordance with state accounting law and policy.

In accordance with section 5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the related recommendation. Other areas of concern deemed not to have a significant effect on the successful operations of the center are not included in this report, but have been communicated to center management.

Background

Governance

A practical nursing program originated in 1960 by the Missoula County High School Board of Trustees marked the beginning of postsecondary vocational-technical education in Missoula County. In 1967, under terms of the Federal Vocational Education Act of 1963, the board established the Missoula Vocational-Technical Center. Official state designation was granted to the Missoula Center in 1969 when the State Board of Public Education, through authorization granted by the state legislature, created the existing Montana Postsecondary Vocational-Technical Center System.

Introduction

The Superintendent of Public Instruction and local school districts governed the postsecondary vocational-technical centers until Chapter 658, Laws of 1987, transferred governance to the Board of Regents of Higher Education effective July 1, 1987. This law provided for a two-year transition period from July 1, 1987 to June 30, 1989. All vocational-technical center directors became state employees on July 1, 1987. All other center employees continued to be local school district employees through June 30, 1989, and became state employees on July 1, 1989.

Operations

The center is accredited by the Commission of Colleges of the Northwest Association of Schools and Colleges. Approximately 75 faculty and staff provide instructional and administrative support at the center. During the audit period, the center offered the following programs:

- | | |
|--|---|
| 1. Accounting | 14. Medical Reception |
| 2. Commercial Food Preparation | 15. Medical Secretarial Technology |
| 3. Commercial Truck Operation | 16. Medical Transcription |
| 4. Data Entry and Computer Operation | 17. Microcomputing Systems and Applications |
| 5. Computer Programming | 18. Practical Nursing |
| 6. Electronics Technology | 19. Prevocational Studies |
| 7. Fashion Merchandising | 20. Respiratory Therapy Technology |
| 8. Heavy Equipment Mechanics | 21. Retail Merchandising |
| 9. Heavy Equipment Operation | 22. Secretarial Technology |
| 10. Word Processing and Office Reception | 23. Small Engine and Equipment Technology |
| 11. Information Processing | 24. Surgical Technology |
| 12. Legal Assisting | 25. Welding Technology |
| 13. Legal Secretarial Technology | 26. Kitchen Production Management |

The following schedule illustrates the number of full-time equivalent (FTE) students enrolled at the center during fiscal years 1987-88 and 1988-89.

Missoula Vocational-Technical Center
Schedule of Full-Time Equivalent (FTE) Students
For the Two Fiscal Years Ended June 30, 1989

<u>Quarter</u>	<u>Fiscal Year</u>	<u>Number of Students</u>	<u>Contact Hours</u>	<u>Calculated FTE</u> *
Summer	1987-88	76	21,780	65
Fall	1987-88	562	172,992	519
Winter	1987-88	538	171,314	514
Spring	1987-88	465	146,964	441
Summer	1988-89	70	21,100	63
Fall	1988-89	550	164,208	493
Winter	1988-89	526	155,033	465
Spring	1988-89	473	141,785	425

* Reported contact hours divided by 333.3

Source: Compiled by the Office of the Legislative Auditor from the center's records.

Prior Audit Recommendations

Prior Audit Recommendations

Our office performed the Missoula Vocational-Technical Center audit for the two fiscal years ended June 30, 1987. The prior report contained three recommendations which are still applicable to the center's operations. The center concurred with and implemented all three prior recommendations.

Findings and Recommendations

Use of Administrative Cost Allowance

The center receives an administrative cost allowance of 5 percent of expenditures in the College Work Study (Catalog of Federal Domestic Assistance (CFDA) #84.033) and Supplemental Educational Opportunity Grant (CFDA #84.007) programs and a set amount for each Pell grant (CFDA #84.063) awarded. At June 30, 1989, the center had a \$22,039 fund balance in the Restricted Subfund indicating the center had not spent all of the administrative cost moneys received. The center's receipts of administrative cost allowance moneys exceeded expenditures recorded in the Restricted Subfund by \$5,572 and \$5,795 in fiscal years 1987-88 and 1988-89, respectively.

Federal regulations require the institution to use its administrative cost allowance to offset the cost of administering financial aid programs. We believe the center has administrative costs in excess of the federal allowance because the center recorded financial aid office expenditures in the Unrestricted Subfund of approximately \$80,000 in each fiscal year. Most of these expenditures are attributable to the federal programs; however, the financial aid office also administers scholarships and other non-federal financial aid programs.

The Unrestricted Subfund includes moneys appropriated by the legislature from the state General Fund. Center personnel indicated they use the administrative cost allowance moneys only when they must and not for the routine administration of financial aid programs. By not spending administrative cost allowance moneys to the maximum extent possible, the center did not comply with section 20-16-204(2), MCA, which requires vocational-technical centers to apply expenditures against non-General Fund money wherever possible before using General Fund appropriations.

The center could transfer expenditures from the Unrestricted Subfund to the Restricted Subfund or place administrative cost allowance moneys in the Unrestricted Subfund. Either method would result in an Unrestricted Subfund reversion to the state General Fund.

Findings and Recommendations

Recommendation #1

We recommend the center use federal administrative cost allowance moneys to offset the costs of administering financial aid programs to the maximum extent possible, in accordance with state law.

Consultants

The center hired consultants for the respiratory therapy and the legal assistant programs at a cost of \$17,741 and \$25,126 in fiscal years 1987-88 and 1988-89, respectively. The respiratory therapy consultant is a physician who acts as the medical director for the program. The center hires the medical director to meet certification standards for the program. The consultants for the legal assistant program helped develop the program and taught some of the first classes.

The center does not have written contracts with these consultants. State law and policy outline:

1. The procedures to be used for selecting a consultant.
2. Criteria for determining if a consultant is an employee or independent contractor.
3. Requirements to be included in written contracts with consultants.
4. Other specific areas of concern including, but not limited to, sole source and emergency procurement, workers' compensation coverage, and restrictions on the use of former employees.

Center personnel indicated they did not follow these state laws and policies because they were unaware of these requirements. By not following state requirements on the selection and use of consultants, the center increased its risk of paying more than necessary for a service. Lack of written contracts increases the

Findings and Recommendations

risk that the center and consultant did not have the same understanding of the following types of issues: purpose of the service, duties of the consultant, amount and frequency of payment for services, who is responsible for workers' compensation coverage, and how the relationship between the consultant and the center may be terminated.

Recommendation #2

We recommend the center comply with state law and policy regarding the selection and use of consultants.

Equipment Controls

The center reported equipment of \$2,015,436 on its fixed asset records at June 30, 1989. The following paragraphs discuss areas of concern related to the center's controls over equipment.

The person responsible for custody of equipment also takes the inventory of equipment. Montana Operations Manual section 2-1710.42 states: "In no event shall inventories be exclusively controlled by the custodian of the property records or the person to whom the fixed assets have been assigned." The lack of segregation between custody of assets and inventory counts increases the possibility of undetected loss or theft of equipment. Center personnel indicated they are comfortable with the current system because most equipment is used by more than one instructor and, if equipment were missing, the instructors would notice and report the loss. Center personnel also indicated they occasionally verify a sample of inventory counts.

We believe the center could improve controls over equipment by having center staff inventory equipment other than that for which they are responsible; or by having someone who does not have custody of the equipment perform and document sample counts. We believe the cost to implement either of these options would not be significant to the center.

Findings and Recommendations

State policy requires that agencies assign a property number and tag to each fixed asset and that the inventory tags be promptly affixed to the asset. We noted one instance where the center purchased 15 computers and printers costing \$24,750 in October 1988, but did not record the equipment on the property records or assign property numbers until April 1989. One quarter of the cost, or \$6,187, of this equipment was paid from Carl Perkins funds (CFDA #84.048). Center personnel indicated they try to assign property numbers and record equipment on the property records within one month of receipt. They were not sure what caused the delay in this case. Having unrecorded, untagged equipment increases the possibility of undetected loss or theft of those assets.

Recommendation #3

We recommend the center develop and implement procedures to:

- A. Segregate equipment custody, count, and record keeping functions.
- B. Ensure equipment is promptly tagged and recorded on its property records.

Accounting Issues

Section 17-1-102(4), MCA, requires state agencies to follow generally accepted accounting principles (GAAP). We noted instances where the center did not follow GAAP, including the following four accounting issues. The recommendations regarding these issues are located on page 12 at the end of this section.

Carl Perkins Subgrant

The Office of the Commissioner of Higher Education (CHE) subgranted federal Carl Perkins (CFDA #84.048) funds of \$442,839 and \$145,194 to the center for fiscal years 1987-88 and 1988-89, respectively. The legislature appropriated, in the Current Unrestricted Subfund, \$326,987 and \$145,196 of Carl

Findings and Recommendations

Perkins money to the center in fiscal years 1987-88 and 1988-89, respectively. In both fiscal years, the center recorded Carl Perkins moneys in the Current Unrestricted Subfund to the extent of the legislative appropriation. The center recorded any Carl Perkins money received in excess of the legislative appropriation in the Current Restricted Subfund.

Section 17-2-102(A) and (B), MCA, define the uses of the Current Unrestricted and Restricted Subfunds as follows:

"The Unrestricted Subfund segregates that portion of the current fund's financial resources that can be expended for general operations and is free of externally imposed restrictions except those imposed by the legislature."

"The Restricted Subfund segregates that portion of the current fund's financial resources that can be expended for general operations but only for purposes imposed by sources external to the board of regents and the legislature."

The state submits a plan to the U.S. Department of Education outlining proposed uses for Carl Perkins money granted to the state of Montana. The U.S. Department of Education must approve the plan before any Carl Perkins money is granted. Because the plan contains restrictions on the use of the money approved by a source external to the state, the center should record all Carl Perkins activity in the Current Restricted Subfund, except for that portion attributable to indirect costs which is properly recorded in the Unrestricted Subfund. By recording the Carl Perkins activity in the Current Unrestricted Subfund, the center's financial records are misstated as summarized in footnote 4 on page 25.

The 1987 Legislature appropriated Carl Perkins federal assistance to the center in the Current Unrestricted Subfund. CHE officials indicated that conceptually the Carl Perkins activity should be in the Restricted Subfund, but because it was appropriated in the Unrestricted Subfund they instructed the center to record the activity there up to the amount appropriated.

Findings and Recommendations

Pell Receivables

Federal regulations require institutions that disburse Pell grants (CFDA #84.063) to make a reasonable effort to collect receivables from students. At January 31, 1990, the center had \$20,786 of Pell receivables that were not recorded on the State-wide Budgeting and Accounting System (SBAS). Although some of these receivables had been outstanding for six years, the center had not referred them to the U.S. Department of Education, after making reasonable collection efforts, as required by federal regulations. The center's policy is to try to collect money from students and to return amounts collected to the U.S. Department of Education. The center should revise its Pell receivable collection policies and turn uncollected accounts over to the U.S. Department of Education after making reasonable collection efforts.

Center personnel indicated they believe the Pell refunds due from students are not a valid receivable of the center or the state because the center is not responsible for returning the money to the federal government until the money is collected. Pell refunds due are valid receivables of the center because the center has an obligation to recover them until the students repay the center or until the center turns the students' accounts over to the U.S. Department of Education for collection.

Interdepartmental Eliminations

During fiscal year 1988-89, the center established recharge operations for duplicating services and central stores. A recharge operation allows a central department to provide goods or services to other departments on a cost reimbursable basis. For example, central stores personnel purchase supplies from vendors which the various departments at the center then obtain from central stores.

Each recharge operation records all purchases the departments make each month and bills them at month end. The recharge center records revenue collected from the various departments billed, while the individual departments record expenditures for the amount paid to the recharge center. The recharge center also records expenditures for its operating costs.

Findings and Recommendations

At year-end, the center should, but did not, eliminate the revenues and expenditures recorded in the recharge centers. This resulted in the revenues and expenditures being recorded on the accounting system twice. By not making the necessary entry, revenues and expenditures are overstated by \$32,702 in the Designated Subfund. Center personnel indicated they were aware of eliminating interdepartmental charges, but forgot to make the entry.

College Work Study (CWS) Expenditures

The center recorded the federal share of CWS (CFDA #84.033) expenditures of \$33,309 and \$30,263 in fiscal years 1987-88 and 1988-89, respectively, in the scholarships and fellowships program rather than the actual programs where the students worked (benefited programs) as required by GAAP. Center personnel indicated the CWS expenditures were recorded in the scholarships and fellowships program based on direction from CHE.

CHE personnel indicated they told the centers to record CWS in the scholarships and fellowships program so they would not have to establish CWS budgets in each of the benefited programs. However, CHE indicated the centers were to distribute the expenditures to the benefitted programs at fiscal year-end. CHE personnel indicated their instructions to the center were verbal and not confirmed in writing. CHE should provide the center with written procedures or confirm policy decisions in writing.

Findings and Recommendations

Recommendation #4

We recommend the center:

- A. Record Carl Perkins subgrant activity, Pell receivables, interdepartmental eliminations, and College Work Study expenditures in compliance with state law and policy.**
- B. Revise Pell receivable collection policies and turn accounts over to the U.S. Department of Education after making reasonable collection efforts.**

Recommendation #5

We recommend the Commissioner of Higher Education provide the center with written confirmation of accounting policy decisions.

Property Ownership

At June 30, 1989, the center had fixed assets of \$6,266,076 recorded on its accounting records which included \$1,009,640 in land, \$2,842,232 in buildings, \$2,015,436 in equipment, and \$398,768 in library books and other fixed assets. Due to the change in governance discussed on page 1, questions continue to exist concerning ownership of the land, buildings and equipment used by the vocational-technical center.

As noted in the prior audit report, center personnel have concerns about the ownership of three property, plant and equipment items. These items include: a) a building referred to as Building B, which was appraised in fiscal year 1987-88 for insurance purposes at \$1,051,508; b) a piece of land referred to as the Homevale Addition with a value estimated to be between \$145,000 and \$405,000; and c) computer center equipment with an historical cost of \$367,363. The center does not include Building B and the Homevale Addition, but does include the computer center equipment, on its accounting records. The Missoula County High School and the center both have ownership interest in the above items.

Circumstances surrounding the acquisition of these items are complex, and it is unclear as to whom has title. The center and CHE are in the process of negotiating ownership of these assets. We present this information for disclosure purposes only and make no recommendation at this time pending resolution of the negotiations. When property ownership issues are resolved, all property the center is responsible for should be recorded on the center's accounting records.

Independent Auditor's Report & Center Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules presented on pages 18 through 27 are prepared from the Statewide Budgeting and Accounting System without adjustments for errors noted during the audit. The following independent auditor's report issued on the financial schedules is intended to convey to the reader the degree of reliance which can be placed on the amounts presented. The reader may rely on the fairness of the amounts on the financial schedules presented on pages 18 through 27 when analyzing the financial activity of the Missoula Vocational-Technical Center.

STATE OF MONTANA

Office of the Legislative Auditor

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HELENA, MONTANA 59620
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DEPUTY LEGISLATIVE AUDITORS:

MARY BRYSON
Operations and EDP Audit
JAMES GILLET
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit



LEGISLATIVE AUDITOR:
SCOTT A. SEACAT
LEGAL COUNSEL:
JOHN W. NORTHEY

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the financial schedules of the Missoula Vocational-Technical Center for each of the two fiscal years ended June 30, 1988 and 1989, as shown on pages 18 through 27. These financial schedules are the responsibility of the center's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1 to the financial schedules, the center's financial schedules are prepared in accordance with state accounting policy and, accordingly, are not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Missoula Vocational-Technical Center for the two fiscal years ended June 30, 1988 and 1989, in conformity with the basis of accounting described in Note 1.

Respectfully submitted,

A handwritten signature in cursive script that reads "James Gillett".

James Gillett, CPA
Deputy Legislative Auditor

December 14, 1989

MUSKOGEE VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1989

	<u>CURRENT FUND</u>				<u>PLANT FUND</u>	
	<u>Unrestricted Subfund</u>	<u>Restricted Subfund</u>	<u>Designated Subfund</u>	<u>Auxiliary Subfund</u>	<u>ENDOWMENT FUND</u>	<u>Renewal & Replacement Subfund</u>
FUND BALANCE: July 1, 1987	\$ <u>(98,474)</u>	\$ <u>41,361</u>	\$ <u>41,557</u>	<u>173,620</u>	<u>\$13,966</u>	\$ <u>0</u>
ADDITIONS:						
<u>Fiscal Year 1987-1988</u>						
Budgeted Revenue & Transfers In	2,582,195	544,461	18,151	228,102		13,349
Nonbudgeted Revenue & Transfers In		2,198	1,100			
Prior Year Revenue - Additions/Adjustments	48	350	5	(173)		
Prior Year Transfer In Adjustments	(1,622)					
Direct Entries to Fund Balance						31,996 ³
<u>Fiscal Year 1988-1989</u>						
Budgeted Revenue & Transfers In	2,647,035	479,817	114,748	235,109		45,807
Prior Year Revenue - Additions/Adjustments	(553)					
Prior Year Transfer In Adjustments	(616)					
Total Additions	<u>\$ 2,286,287</u>	<u>1,026,736</u>	<u>134,894</u>	<u>465,036</u>	<u>0</u>	<u>90,352</u>
REDUCTIONS:						
<u>Fiscal Year 1987-1988</u>						
Budgeted Expenditures & Transfers Out	2,612,646	539,029	14,699	211,189		4,238
Nonbudgeted Expenditures & Transfers Out	81,965	2,350	7,809	7,558		
Prior Year Expenditure Adjustments	(248)	14	(53)	(318)		
Direct Entries To Fund Balance	19,935	28,342 ²	39,165 ²			
<u>Fiscal Year 1988-1989</u>						
Budgeted Expenditures & Transfers Out	2,648,105	473,266	76,735	216,004		12,461
Nonbudgeted Expenditures & Transfers Out	2,028			8,519		
Prior Year Expenditure Adjustments	(1,172)	415				
Prior Year Transfer Out Adjustments		(776)				
Total Reductions	<u>\$ 363,059</u>	<u>1,042,672</u>	<u>138,403</u>	<u>467,952</u>	<u>0</u>	<u>16,699</u>
FUND BALANCE: June 30, 1989	\$ <u>(235,266)¹</u>	\$ <u>25,415</u>	\$ <u>57,248</u>	\$ <u>93,704</u>	<u>\$13,966</u>	<u>\$ 73,653</u>

¹ See footnote 1D.

² See footnote 3A.

³ See footnote 3C.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is presented in the notes to the financial schedules on pages 22 through 27.

MISCELLANEOUS VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED REVENUE AND TRANSFERS BY CLASS AND FUND
ESTIMATE AND ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1989

<u>Fiscal Year 1988-89</u>	<u>Funds</u>	<u>Charges for Services</u>	<u>Sale of Merchandise</u>	<u>Rentals, Leases & Royalties</u>	<u>Investment Earnings</u>	<u>Other Financing Sources</u>	<u>Grants, Contracts, Donations & Abandonments</u>	<u>Federal</u>	<u>Miscellaneous</u>	<u>Total</u>
CURRENT FUND:										
Unrestricted Subfund										
Estimate	\$ 713,687	\$ 474,680				\$1,371,458		\$ 145,196		\$2,705,021
Actual	725,790	487,654				1,379,457		145,196		2,647,035
Collections Over(under) Estimate	\$ 12,013	\$ (71,990)				\$ 8,000		\$ (2)		\$ (57,986)
Restricted Subfund										
Estimate		\$ 2,500			\$ 1,000		\$ 10,500		\$ 451,692	\$ 665,692
Actual		1,801			1,175		10,352		446,158	679,817
Collections Over(under) Estimate		\$ (699)			\$ 175		\$ 148		\$ (134)	\$ 14,172
Designated Subfund										
Estimate		\$ 180,402	\$ 22,500						\$ 1,000	\$ 204,902
Actual		98,623	15,356						367	114,728
Collections Over(under) Estimate		\$ (81,779)	\$ (5,944)						\$ (633)	\$ (89,354)
Auxiliary Subfund										
Estimate		\$ 28,200	\$ 260,000							\$ 288,200
Actual		8,103	227,006							235,109
Collections Over(under) Estimate		\$ (20,097)	\$ (32,994)							\$ (53,091)
PLANT FUND:										
Renewal & Replacement Subfund										
Estimate		\$ 44,232		\$ 7,680	\$ 4,570				\$ 120	\$ 56,602
Actual		34,859		6,200	3,753				215	45,027
Collections Over(under) Estimate		\$ (9,303)		\$ (1,480)	\$ (817)				\$ (95)	\$ (11,595)
<u>Fiscal Year 1987-1988</u>										
CURRENT FUND:										
Unrestricted Subfund										
Estimate	\$ 677,000	\$ 417,550				\$1,566,423				\$2,660,973
Actual	673,586	361,514				1,567,095				2,382,195
Collections Over(under) Estimate	\$ (3,414)	\$ (56,036)				\$ (567)				\$ (178,779)
Restricted Subfund										
Estimate (See footnote 5)	\$ 184,051	\$ 164,596			\$ 1,000	\$ 154,376	\$ 25,002	\$ 609,236		\$1,211,161
Actual	0	16,825			316	0	8,399	516,921		546,461
Collections Over(under) Estimate	\$ (184,051)	\$ (147,771)			\$ (684)	\$ (154,376)	\$ (17,503)	\$ (182,315)		\$ (1,060,700)
Designated Subfund										
Estimate (See footnote 5)		\$ 36,100	\$ 310,500						\$ 2,300	\$ 348,900
Actual		7,288	9,810						1,023	18,131
Collections Over(under) Estimate		\$ (28,812)	\$ (300,690)						\$ (1,277)	\$ (330,759)
Auxiliary Subfund										
Estimate (See footnote 5)		\$ 16,000	\$ 522,750							\$ 538,750
Actual		3,707	224,395							228,102
Collections Over(under) Estimate		\$ (12,293)	\$ (298,355)							\$ (510,648)
PLANT FUND:										
Renewal & Replacement Subfund										
Estimate				\$14,000	\$ 1,000				\$ 300	\$ 15,300
Actual				12,170	0				170	12,340
Collections Over(under) Estimate				\$ (1,830)	\$ (1,000)				\$ (170)	\$ (4,920)

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedule on pages 22 through 27.

MIDDLEBURY COLLEGE - VOTATIONAL - TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT AND
FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDING JUNE 30, 1989

	Instruction	Public Service	Academic Support	Students Services	Institutional Support	Plant Operation & Maintenance	Scholarships & Fellowships	Auxiliary Enterprises	Recharge Services	Subsidiaries	Plant Programs	Total
PERSONAL SERVICES												
Salaries	\$ 1,068,260	\$ 923	\$ 36,293	\$154,960	\$132,000	\$ 26,000						\$1,418,436
Hourly Wages	10,170		61,893	44,090	79,461	105,911						\$54,120
Employee Benefits	233,326	163	24,327	42,258	44,521	33,079	\$ 30,263	\$ 30,312				\$80,415
Total	<u>1,311,756</u>	<u>1,086</u>	<u>121,513</u>	<u>261,308</u>	<u>255,982</u>	<u>187,990</u>	<u>30,263</u>	<u>60,624</u>				<u>2,163,471</u>
OPERATING EXPENSES												
Contracted Services	48,413		1,597	36,258	7,956	6,737						118,878
Supplies & Materials	85,108		20,090	12,218	5,322	21,820		10,176	\$ 7,241	\$520		181,189
Communications	753		24	21,063	9,813	31,951		30,587	5,945			83,384
Travel	10,578	810	1,218	5,136	7,272			680				23,016
Rent	650		1,083	8	626							2,367
Utilities						104,486						104,486
Repair & Maintenance	27,211		6,055	231	2,955	16,812		360	3,000		\$ 10	53,059
Other Expenses	5,736		5,077	2,314	6,344	502	2,336	115	65			22,509
Goods Purchased for Resale								133,516				133,516
Total	<u>178,550</u>	<u>810</u>	<u>34,953</u>	<u>75,210</u>	<u>30,208</u>	<u>178,600</u>	<u>2,336</u>	<u>175,442</u>	<u>16,318</u>	<u>520</u>	<u>10</u>	<u>752,186</u>
EQUIPMENT AND INTANGIBLE ASSETS												
Equipment	47,981		21,490	347	11,955						12,442	\$4,224
Intangible Assets	2,509		715	20,896	228							24,336
Total	<u>50,490</u>		<u>22,205</u>	<u>21,343</u>	<u>12,183</u>							<u>118,760</u>
GRANTS												
From State Sources							8,296					8,296
From Federal Sources							631,842					631,842
Total							<u>640,138</u>					<u>640,138</u>
TOTAL PROGRAM EXPENDITURES	\$ 1,540,965	\$ 1,876	\$179,750	\$337,857	\$301,553	\$365,111	\$672,397	\$216,004	\$16,310	\$520	\$12,442	\$1,426,553
CURRENT FUND:												
Unrestricted Subfund												
Budget	\$ 1,496,443		\$180,343	\$360,883	\$305,048	\$362,033				\$520		\$2,701,296
Actual	<u>1,486,321</u>		<u>179,750</u>	<u>331,450</u>	<u>301,553</u>	<u>366,511</u>				<u>520</u>		<u>2,686,105</u>
Unspent Budget Authority	<u>\$ 6,112</u>		<u>\$ 503</u>	<u>\$29,433</u>	<u>\$ 3,495</u>	<u>\$ 15,522</u>				<u>\$ 0</u>		<u>\$ 37,183</u>
Restricted Subfund												
Budget				\$ 8,500			\$44,492					\$ 500,992
Actual				<u>511</u>			<u>472,737</u>					<u>473,248</u>
Unspent Budget Authority				<u>\$ 3,010</u>			<u>\$ 21,755</u>					<u>\$ 27,764</u>
Designated Subfund												
Budget	\$ 155,751	\$ 8,166		\$ 10,210					\$31,500			\$ 205,627
Actual	<u>52,644</u>	<u>3,876</u>		<u>5,898</u>					<u>16,519</u>			<u>78,735</u>
Unspent Budget Authority	<u>\$ 103,107</u>	<u>\$ 4,290</u>		<u>\$ 4,314</u>					<u>\$15,181</u>			<u>\$ 126,892</u>
Auxiliary Subfund												
Budget								\$273,107				\$ 273,107
Actual								<u>216,004</u>				<u>216,004</u>
Unspent Budget Authority								<u>\$ 57,103</u>				<u>\$ 57,103</u>
PLANT FUND:												
Renewal & Replacement Subfund												
Budget											\$40,000	\$ 40,000
Actual											<u>12,442</u>	<u>12,442</u>
Unspent Budget Authority											<u>\$27,558</u>	<u>\$ 27,558</u>

¹ See footnote 38.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 22 through 27.

MISSOULA VOCATIONAL-TECHNICAL CENTER
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND
FUND - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1998

	Instruction	Public Service	Academic Support	Student Services	Plant Operation & Maintenance	Scholarships and Fellowships	Transfers	Auxiliary Enterprise	Support ¹	Computer Center	Plant Program	Total
PERSONAL SERVICES												
Salaries	\$1,138,973	\$ 794			\$ 25,976			\$ 30	\$326,521			\$1,492,294
Hourly Wages	540				101,078	\$ 33,309		30,068	170,400			335,485
Employee Benefits	252,899	123			33,060			30,333	111,100			408,412
Total	<u>1,392,409</u>	<u>917</u>			<u>160,114</u>	<u>33,309</u>		<u>60,431</u>	<u>608,111</u>			<u>2,234,191</u>
OPERATING EXPENSES												
Contracted Services	48,556			\$ 1,370	27,364			3,398	78,326			158,994
Supplies & Material	62,658		\$ 36	2,247	18,619			29,124	34,096			146,780
Communications	477			1	23,059			682	19,615			43,634
Travel	5,710			380	55				6,497			14,642
Rent	977								4,299			5,276
Utilities					93,573							93,573
Repair & Maintenance	32,363			51	6,967			404	5,548			45,333
Other Expenses	3,792			1,322	847	908		368	8,231			15,488
Goods Purchased for Resale								135,904				135,904
Total	<u>154,533</u>		<u>36</u>	<u>3,271</u>	<u>170,484</u>	<u>908</u>		<u>169,900</u>	<u>158,412</u>			<u>650,624</u>
EQUIPMENT AND INTANGIBLE ASSETS												
Equipment	98,094			1,703				499			\$ 4,238	104,534
Intangible Assets	3,087			395								3,482
Total	<u>101,181</u>			<u>2,098</u>				<u>499</u>			<u>4,238</u>	<u>107,990</u>
DEBT SERVICE												
Installation Purchases								359				359
Total								<u>359</u>				<u>359</u>
GRANTS												
From State Sources						7,491						7,491
From Federal Sources						363,232						363,232
Total						<u>370,723</u>						<u>370,723</u>
TRANSFERS												
Nonmandatory Transfers								\$ 6,708				6,708
Total								<u>6,708</u>				<u>6,708</u>
TOTAL PROGRAM EXPENDITURES	<u>\$1,648,103</u>	<u>\$ 917</u>	<u>\$ 36</u>	<u>\$ 7,469</u>	<u>\$331,478</u>	<u>\$404,940</u>	<u>\$ 6,708</u>	<u>\$211,189</u>	<u>\$766,323</u>		<u>\$ 4,238</u>	<u>\$3,381,601</u>
CURRENT FUND:												
Unrestricted Subfund												
Budget	\$1,550,118				\$346,082				\$767,689			\$2,663,889
Actual	1,516,445				331,478				766,373			2,612,446
Unspent Budget Authority	<u>\$ 33,673</u>				<u>\$ 14,604</u>				<u>\$ 1,316</u>			<u>\$ 1,443</u>
Restricted Subfund												
Budget (See footnote 5)	\$ 781,408			\$ 9,592		\$412,239	\$58,759					\$1,261,998
Actual	125,831			1,559		406,960	6,708					539,029
Unspent Budget Authority	<u>\$ 655,577</u>			<u>\$ 8,033</u>		<u>\$ 7,279</u>	<u>\$52,051</u>					<u>\$ 727,969</u>
Designated Subfund												
Budget (See footnote 5)	\$ 23,120	\$2,158	\$600	\$37,300						\$300,000		\$ 363,370
Actual	7,627	917	38	5,019					0			16,692
Unspent Budget Authority	<u>\$ 15,493</u>	<u>\$1,241</u>	<u>\$564</u>	<u>\$32,281</u>					<u>\$300,000</u>			<u>\$ 346,671</u>
Auxiliary Subfund												
Budget (See footnote 5)								\$525,055				\$ 525,055
Actual								211,189				211,189
Unspent Budget Authority								<u>\$313,866</u>				<u>\$ 313,866</u>
PLANT FUND:												
Renewal & Replacement Subfund												
Budget										\$47,000		\$ 47,000
Actual										4,238		4,238
Unspent Budget Authority										<u>\$42,762</u>		<u>\$ 42,762</u>

¹ See footnote 38

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules on pages 27 through 27.

MISSOULA VOCATIONAL-TECHNICAL CENTER
NOTES TO THE FINANCIAL SCHEDULES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1989

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial schedules were prepared from the Statewide Budgeting and Accounting System (SBAS) without adjustments. The center's accounts are organized on the basis of the fund structure outlined in section 17-2-102, MCA. The financial schedules present center activity from the following higher education funds:

Current Fund - Includes economic resources expendable for instruction, research, public service, and the allied support operations and programs. The financial activities of the Current Fund are subdivided into the four following subfunds:

Unrestricted - funds for general operations which are free of restrictions, except those imposed by the legislature.

Restricted - funds for financing general operations for purposes imposed by sources external to the Board of Regents and the legislature, such as the federal Carl Perkins and student financial aid programs.

Designated - funds for general operations which have been internally restricted, such as recharge operations, instructional materials fees, and student government. This fund is separately classified in order to distinguish the specific type of service being provided to various departments and is supported by internal charges to user departments.

Auxiliary - funds for providing goods and services primarily to students, faculty, or staff through a fee charged the consumer which is directly related to, but does not necessarily equal, the cost of the goods or services provided. The revenues are derived directly from the auxiliary bookstore and snack bar operations.

Endowment Fund - donated funds where the donor or center has designated initial contributions as nonexpendable principal and scholarships are awarded at the discretion of a scholarship committee and in accordance with any donor restrictions.

Plant Fund - accounts for financial resources allocated for capital outlay purposes or to retire long-term debts associated with construction or acquisition of fixed assets. The Renewal & Replacement Subfund of the Plant Fund accounts for the funds needed to provide for the renewal and replacement of Plant Fund assets.

B. Basis of Accounting

The center uses the accrual basis of accounting except for depreciation accounting for its funds. Under the accrual basis of accounting, expenses are recorded when a valid obligation is incurred, if measurable. The following items are also considered valid obligations under state accounting policy.

- If the appropriation provided funds to complete a given project, the entire amount of a contract may be accrued even though the services are rendered in a fiscal year subsequent to the fiscal year in which the expenditure is accrued.
- The anticipated cost of equipment is expensed in the fiscal year in which a purchase order is issued.
- Goods ordered but not received as of fiscal year-end may be accrued if the purchase order was issued prior to fiscal year-end.

Revenues are recognized in the accounting period in which they are earned and become measurable.

C. Budget Information

Budgets for planning and controlling financial operations are set in two ways for the center. The legislature appropriates the Current Fund's Unrestricted Subfund, which includes money from the state's General Fund. Agencies have one year, after the end of the fiscal year for which the General Fund money was appropriated, to charge valid prior year expenditures. The agency then must return any unspent General Fund money to the state General Fund.

All other funds are budgeted and may be spent contingent upon approval of the comprehensive program budget by the Board of Regents by July 1st of each year.

D. Vacation and Sick Leave

During the audit period, classified and support employees were allowed to accumulate and carryover a maximum of two times the amount of annual vacation they are eligible to earn per year. Contracted teachers do not earn vacation. Twelve-month administrative employees may not accrue more than 20 days of vacation each fiscal year, 20 of which may be carried forward to the succeeding fiscal year.

Teachers earn 10 days of sick leave each academic year. All other full-time employees earn 12 days of sick leave each academic year. Until July 1, 1989, teachers and administrators could carry forward a maximum of 120 and 130 days

of sick leave, respectively. Other employees can carry forward unlimited sick leave days. After July 1, 1989, all employees can carry forward unlimited sick leave days.

Upon termination, qualifying classified and administrative employees having unused accumulated vacation and sick leave are paid 100 percent for vacation. Classified employees are paid 25 percent for sick leave. Teachers and administrators are paid 50 percent for unused accumulated sick leave earned prior to July 1, 1989, and 25 percent for sick leave earned after June 30, 1989. The liability amount associated with unused accumulated employee vacation and sick leave at June 30, 1989, is approximately \$36,785 and \$200,479, respectively. Because the vacation and sick leave liability is not funded, it caused the negative fund balance in the Unrestricted Subfund at June 30, 1989. Increases in accumulated employee vacation and sick leave liabilities account for \$78,359 and \$2,220 of the nonbudgeted expenditures recorded in the Unrestricted Subfund in fiscal years 1987-88 and 1988-89, respectively.

2. LEGISLATIVE ACTION

The 50th Legislature, in Chapter 658, Laws of 1987, transferred the governance of the five vocational-technical centers from joint governance with the Office of Public Instruction (OPI) and the local school districts to single governance under the Board of Regents of Higher Education. Provisions of the bill allow a two year period to effect the transfer. Directors of the centers became state employees effective July 1, 1987, and the remaining staff and faculty were transferred to state control effective July 1, 1989.

3. PROGRAM CHANGES AND REORGANIZATIONS

A. Adult Education and Computer Center

Prior to the change in governance, the center administered the adult education programs for the Missoula County High School District (MCHS) and housed and accounted for the computer center used by both MCHS and the center. In fiscal year 1987-88, the center transferred the fund balance of \$26,965 for adult education in the Restricted Subfund and \$26,994 in the Designated Subfund for the computer center back to MCHS.

B. Support Programs

In fiscal year 1987-88, the center reported the majority of activity related to academic support, student services, and institutional support programs in a combined support program. In fiscal year 1988-89, the center reported most activity in the individual programs and reported only minimal activity in the combined support program. The Office of the Commissioner of Higher Education (CHE) instructed the center to make this change in order to comply with generally accepted accounting principles.

C. Renewal & Replacement Subfund

In fiscal year 1987-88, the center established a Renewal & Replacement Subfund in the Plant Fund. The center moved \$31,996 attributable to building fees from the Unrestricted Subfund where they were originally collected to the Renewal & Replacement Subfund. The Board of Regents authorized the center to collect building and computer fees of \$3 and \$2, respectively, from students each quarter beginning in fiscal year 1988-89. The center collected \$34,839 of these fees in fiscal year 1988-89.

4. CARL PERKINS

In fiscal years 1987-88 and 1988-89, the center recorded Carl Perkins activity, to the extent of legislative appropriation, in the Unrestricted Subfund. The center reported all other Carl Perkins activity in the Restricted Subfund. The center recorded Carl Perkins receipts in the Unrestricted Subfund as transfers in for fiscal year 1987-88 and as federal revenue for fiscal year 1988-89; rather than reporting all direct grant activity in the Restricted Subfund as federal revenue and indirect cost recoveries in the Unrestricted Subfund as federal indirect cost recovery revenue. As a result, the center's financial schedules are misstated as shown below:

Subfund	Account	<u>Amount of</u> <u>Over(under)statement</u>	
		<u>FY 1987-88</u>	<u>FY 1988-89</u>
Unrestricted	Transfers In	\$ 326,987	\$ 0
Unrestricted	Federal Revenues	0	145,194
Unrestricted	Federal Indirect Cost Recoveries	(22,421)	(8,845)
Unrestricted	Expenditures	304,566	136,349
Restricted	Federal Revenues	(304,566)	(136,349)
Restricted	Expenditures	(304,566)	(136,349)

5. REVENUE ESTIMATES AND APPROPRIATIONS

In fiscal year 1987-88, the Office of the Commissioner of Higher Education required the center to change the format of its revenue estimate and appropriation numbers. The center established the new revenue estimates and appropriations but did not eliminate all of the old revenue estimate and appropriation amounts in the Restricted, Designated, and Auxiliary Subfunds. This resulted in the following overstatements on the respective financial schedules for fiscal year 1987-88:

SCHEDULE OF BUDGETED REVENUE AND TRANSFERS IN BY CLASS AND FUND - ESTIMATE AND ACTUAL

<u>Subfund</u>	<u>Class</u>	<u>Amount</u> ¹
Restricted	Taxes	\$184,051
	Charges for Services	126,456
	Other Financing Sources	154,376
	Grants, Contracts, Donations & Abandonments	16,602
	Federal	<u>183,910</u>
	Subfund Total	<u>\$665,395</u>
Designated	Charges for Services	\$ 20,000
	Sale of Merchandise	<u>296,000</u>
	Subfund Total	<u>\$316,000</u>
Auxiliary	Sale of Merchandise	<u>\$265,000</u>
	Subfund Total	<u>\$265,000</u>

¹Amounts "Estimate" and "Collections Over(under) Estimate" are overstated.

SCHEDULE OF BUDGETED PROGRAM EXPENDITURES AND TRANSFERS OUT BY OBJECT AND FUND - BUDGET AND ACTUAL

<u>Subfund</u>	<u>Program</u>	<u>Amount</u> ²
Restricted	Instruction	\$655,577
	Transfers	<u>50,983</u>
	Subfund Total	<u>\$706,560</u>
Designated	Student Services	\$ 20,000
	Computer Center	<u>300,000</u>
	Subfund Total	<u>\$320,000</u>
Auxiliary	Auxiliary Enterprise	<u>\$265,000</u>
	Subfund Total	<u>\$265,000</u>

²Amounts "Budget" and "Unspent Budget Authority" are overstated.

6. LEASES AND LONG-TERM OBLIGATIONS

The center leases a phone system and two computers. Lease payments are on a monthly basis. The center will own the phone system and both computers at the end of the lease terms. The following is a lease schedule by year of future

minimum lease payments together with the present value of the net minimum lease payments as of June 30, 1989:

	<u>Phone System</u>	
	1990	\$ 8,446.14
	1991	8,446.14
	1992	<u>4,926.91</u>
Minimum lease payments		21,819.19
Less: amount representing interest		<u>2,293.55</u>
Present value of net minimum lease payments		<u>\$ 19,525.64</u>

	<u>Computer</u>	
	1990	\$ 1,012.02
	1991	1,012.02
	1992	<u>590.35</u>
Minimum lease payments		2,614.39
Less: amount representing interest		<u>274.81</u>
Present value of net minimum lease payments		<u>\$ 2,339.58</u>

	<u>Computer</u>	
	1990	\$ 43,515.82
	1991	43,515.82
	1992	43,515.82
	1993	43,515.82
	1994	<u>27,774.99</u>
Minimum lease payments		201,838.27
Less: amount representing interest		<u>31,846.55</u>
Present value of net minimum lease payments		<u>\$169,991.72</u>

7. PENSION PLAN

Employees are covered by the Montana Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS). The center's contribution for PERS was \$20,490 in fiscal year 1987-88 and \$22,325 in fiscal year 1988-89. The center's TRS contribution was \$111,974 in 1987-88 and \$102,762 in fiscal year 1988-89.

Agency Responses



Missoula Vocational Technical Center

- Post Secondary Vocational Technical Education
- Adult Continuing Education
- Community Services

Phone (406) 542-6811

909 South Avenue West

Missoula, Montana 59801-7910

April 9, 1990

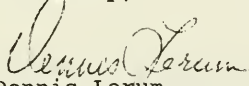
Mr. James Gillett
Deputy Legislative Auditor
Office of the Legislative Auditor
State Capitol
Helena, Montana 59620

Dear Mr. Gillett:

Enclosed is the Missoula Vocational Technical Center response to the audit report prepared by your office of the Center's activities for the two fiscal years ended June 30, 1988 and 1989.

Center personnel express their appreciation to you and your staff for a professional and cooperative effort. Your field auditors completed their tasks efficiently with minimum disruption of normal Center operation. Your comments and recommendations will, as usual, be beneficial to the future operation of Missoula Vocational Technical Center.

Sincerely,


Dennis Lerum
Director

DL/cav

Enclosure

cc: Jack Noble

MISSOULA VOCATIONAL TECHNICAL CENTER
RESPONSE TO AUDITOR'S RECOMMENDATIONS
FOR FISCAL YEARS ENDED JUNE 30, 1988 AND 1989

RECOMMENDATION #1

We recommend the center use federal administrative cost allowance moneys to offset the costs of administering financial aid programs to the maximum extent possible, in accordance with state law.

RESPONSE

We concur. Center personnel have previously operated under the assumption that Section 20-16-204(2), MCA, applied only to funds appropriated by the legislature to the Center's Unrestricted Subfund.

PLAN FOR CORRECTIVE ACTION

In the future, the funds will be spent to offset the cost of administering financial aid programs, and any balance remaining will revert to the General Fund. The Office of the Commissioner of Higher Education also anticipates developing policy to request the Centers to place administrative cost money in the Unrestricted Subfund.

RECOMMENDATION #2

We recommend the center comply with state law and policy regarding the selection and use of consultants.

RESPONSE

We concur. During fiscal years 1988 and 1989, the Center was still operating under personnel policies of the Missoula County High School District. The practice described had been sanctioned by the District Personnel Office.

PLAN FOR CORRECTIVE ACTION

All future consultants will be selected and contracted in compliance with state law and policy.

RECOMMENDATION #3

We recommend the center develop and implement procedures to:

- A. Segregate equipment custody, count, and record keeping functions.
- B. Ensure equipment is promptly tagged and recorded on its property records.

RESPONSE

We concur. Inventory at the Center is generally accomplished by having two or more team members take the physical inventory. Purchases of equipment are normally recorded within 30 days of purchase. The instance cited was an oversight on the part of Center staff.

PLAN FOR CORRECTIVE ACTION

Inventory will continue to be taken by multi-member teams. Center personnel not associated with a particular department will randomly sample departmental inventories to verify counts. Center personnel will strive to record and tag all equipment purchases within 30 days of acquisition.

RECOMMENDATION #4

We recommend the center:

- A. Record Carl Perkins subgrant activity, Pell receivables, interdepartmental eliminations, and College Work Study expenditures in compliance with state law and policy.
- B. Revise Pell receivable collection policies and turn accounts over to the U.S. Department of Education after making reasonable collection efforts.

RESPONSE

We partially concur with A. and fully concur with B.

Carl Perkins Subgrant

The issue of where to record appropriated federal Carl Perkins monies is unclear. The legislature appropriated the funds in question to the Center's Current Unrestricted Subfund for use in the general operation of the Center. The Center followed legislature intent by depositing the funds in the Current Unrestricted Subfund and expending them for general operation of the Center. The Carl Perkins funds do, however, have restrictions imposed upon them by an external source. Because of this restriction a case could be made to require deposit of the monies in the Restricted Subfund.

Pell Receivables

Center personnel concur that Pell refunds due from students should be turned over to the U.S. Department of Education for collection.

Interdepartmental Eliminations

Center personnel concur that revenues and expenditures should be eliminated at year-end.

College Work Study Expenditures

Center personnel concur that College Work Study expenditures should be recorded in the program in which the students actually worked.

PLAN FOR CORRECTIVE ACTION

The issue of whether to record Carl Perkins monies in the Unrestricted or Restricted Subfund is expected to be resolved by the Office of the Commissioner of Higher Education and the legislature during the next legislative session.

Pell receivables for previous years have been processed and turned over to the U.S. Department of Education for collection. Procedures will be developed to process future receivables and ascertain they are turned over to the U.S. Department of Education in a timely manner.

Interdepartmental eliminations will be made at the end of each fiscal year.

College Work Study expenditures will be distributed to the benefitted programs at fiscal year-end.

RECOMMENDATION #5

We recommend the Commissioner of Higher Education provide the center with written confirmation of accounting policy decisions.

RESPONSE

This issue will be addressed in a response by the Office of the Commissioner of Higher Education.



THE MONTANA UNIVERSITY SYSTEM

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HELENA, MONTANA 59620-2602
(406) 444-6570

100-244-0000
APR 11 1990
Montana University System

COMMISSIONER OF HIGHER EDUCATION

April 10, 1990

Mr. Scott Seacat
Office of the Legislative Auditor
State Capitol
Helena, MT 59620

Dear Mr. Seacat:

This letter is in response to the audit of the Missoula Vocational Technical Center for the two fiscal years ending June 30, 1989.

As per your request, I submit the enclosed response.

Sincerely,

A handwritten signature in cursive script, appearing to read "John".

John H. Noble, Jr.
Deputy Commissioner for
Management and Fiscal Affairs

JHN:dkh

enclosure



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COMMISSIONER OF HIGHER EDUCATION

RECOMMENDATION #5

We recommend the Commissioner of Higher Education provide the center with written confirmation of accounting policy decisions.

AGENCY RESPONSE:

Concur

In February, 1990 specific written policy on accounting for College Work Study was reviewed with the Vocational Technical Center Fiscal Officers.

It is the intent of the Commissioner's Office to provide written confirmation of all accounting policy decisions to the Vocational Technical Centers. However, with limited staff, that is not always possible. The office is not adequately staffed to monitor all transactions and cite relevant policy in each situation. Every effort will be made to comply with this recommendation with the resources available.

